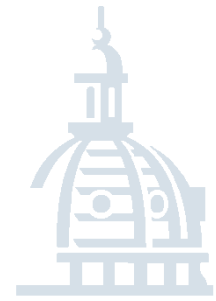


Fiscal Note

Fiscal Services Division



HF 230 – School Infrastructure, Secure Advanced Vision for Education Extension (LSB2288YH)
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Fiscal Note Version – New

Description

House File 230 extends the 6.0% sales tax rate, the allocation to the Secure an Advanced Vision for Education (SAVE) Fund, and the statutory repeal of Iowa Code chapter **423F** until January 1, 2050.

Background

Under current law, the sales tax rate of 6.0% is reduced to 5.0% on January 1, 2030. The revenue from the additional 1.0% is deposited in the SAVE Fund and allocated to school districts on a per-pupil basis to be used for infrastructure and property tax reduction purposes specified in Iowa Code chapter **423F**. Prior to distribution of moneys in the SAVE Fund to school districts, 2.1% of the moneys is credited to the Property Tax Equity and Relief Fund created in Iowa Code section **257.16A** and allocated to school districts through the school aid formula. Total SAVE Fund payments to school districts from FY 2011 to FY 2016 include:

Table 1 – Annual SAVE Income

Fiscal Year	Percent Change	Total Annual Revenue	Annual Dollars to Schools	Annual PTER Fund Allocation
FY 2011	4.38%	\$ 390,193,482	\$ 382,812,657	\$ 7,380,825
FY 2012	5.08%	\$ 410,028,276	\$ 401,369,617	\$ 8,658,659
FY 2013	2.23%	\$ 419,177,181	\$ 410,929,431	\$ 8,247,750
FY 2014	4.05%	\$ 436,162,401	\$ 429,873,936	\$ 6,288,465
FY 2015	3.48%	\$ 451,330,429	\$ 441,852,490	\$ 9,477,939
FY 2016	2.60%	\$ 463,073,554	\$ 453,349,009	\$ 9,724,545

Assumptions

The following assumptions are used in the estimate:

- Historical sales and use tax receipts from 1988 to the present were used to arrive at an average annual growth rate of 2.51%. Fiscal years 1993 and 2009 were excluded due to the implementation of higher sales and use tax rates in those years.
- The Iowa Department of Revenue growth rate forecast for sales and use tax receipts is 1.63% for FY 2017, 4.29% for FY 2018, and 2.51% for FY 2019. For FY 2020 through FY 2050, an annual growth rate of 2.51% is used to forecast the annual sales and use tax receipts. These are based on the December 2016 Revenue Estimating Conference and are subject to change.
- For FY 2050, the 6.0% sales tax will be collected for only half the year.

Fiscal Impact

The following table shows the estimated impact of extending the 6.0% sales tax rate to January 1, 2015.

Table 2 – Estimated Impact of 6.0% Sales Tax Rate

	Percent Change	Current Law - Sales and Use at 5.0%	Sales and Use at 6.0%	Total to SAVE/PTER (1.0%)	SAVE	PTER
FY 2030	2.51%	\$ 3,304,518,193	\$3,965,421,831	\$ 660,903,639	\$ 647,024,663	\$ 13,878,976
FY 2031	2.51%	3,387,486,810	4,064,984,172	677,497,362	663,269,917	14,227,445
FY 2032	2.51%	3,472,538,573	4,167,046,288	694,507,715	679,923,053	14,584,662
FY 2033	2.51%	3,559,725,784	4,271,670,941	711,945,157	696,994,309	14,950,848
FY 2034	2.51%	3,649,102,060	4,378,922,472	729,820,412	714,494,183	15,326,229
FY 2035	2.51%	3,740,722,361	4,488,866,834	748,144,472	732,433,438	15,711,034
FY 2036	2.51%	3,834,643,032	4,601,571,638	766,928,606	750,823,105	16,105,501
FY 2037	2.51%	3,930,921,827	4,717,106,193	786,184,365	769,674,493	16,509,872
FY 2038	2.51%	4,029,617,955	4,835,541,546	805,923,591	788,999,196	16,924,395
FY 2039	2.51%	4,130,792,109	4,956,950,531	826,158,422	808,809,095	17,349,327
FY 2040	2.51%	4,234,506,506	5,081,407,807	846,901,301	829,116,374	17,784,927
FY 2041	2.51%	4,340,824,925	5,208,989,911	868,164,985	849,933,520	18,231,465
FY 2042	2.51%	4,449,812,748	5,339,775,298	889,962,550	871,273,336	18,689,214
FY 2043	2.51%	4,561,536,997	5,473,844,397	912,307,399	893,148,944	19,158,455
FY 2044	2.51%	4,676,066,377	5,611,279,653	935,213,275	915,573,796	19,639,479
FY 2045	2.51%	4,793,471,318	5,752,165,582	958,694,264	938,561,684	20,132,580
FY 2046	2.51%	4,913,824,019	5,896,588,823	982,764,804	962,126,743	20,638,061
FY 2047	2.51%	5,037,198,491	6,044,638,189	1,007,439,698	986,283,464	21,156,234
FY 2048	2.51%	5,163,670,603	6,196,404,724	1,032,734,121	1,011,046,704	21,687,417
FY 2049	2.51%	5,293,318,130	6,351,981,756	1,058,663,626	1,036,431,690	22,231,936
FY 2050*	2.51%	2,713,110,400	3,255,732,480	542,622,080	531,227,016	11,395,064

* In FY 2050, the additional 1.0% will be collected for half of the fiscal year.

Sources

Department of Management
LSA analysis and calculations
Department of Revenue

/s/ Holly M. Lyons

March 21, 2017

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.